

# U.S.-Korea Free Trade Agreement

## Market Access Results

### Chemicals

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#### Trade and Tariffs

The chemicals sector is defined by the Chemical Harmonization and Pharmaceutical Uruguay Round sector agreements in the World Trade Organization.

Chemicals accounted for 16.9 percent of average U.S. industrial exports to Korea in 2003-2005, totaling \$4.2 billion. The top U.S. exports in this sector included polycarbonates, ethylene dichloride, plastic, silicon, and skin care cosmetics. Korean tariffs range between zero and 50 percent, with an average of 6 percent.

Korean exports to the United States in this sector averaged \$2.3 billion in 2003-2005, or 6 percent of total Korean industrial exports to the United States. Top Korean exports in this sector include benzene, polystyrene, and polyethylene terephthalate. The United States maintains tariffs between zero and 14 percent, with an average of 3.5 percent, on chemicals.

#### Tariff Elimination

Industrial tariffs will be phased out according to seven tariff elimination categories: immediate elimination; linear cuts over three, five, or ten years; or nonlinear cuts over ten, twelve, or fifteen years. Tariff elimination under the nonlinear ten-year staging category will proceed with a 5 percent cut in the tariff in years one and two, a 7 percent cut in years three through five, a 10 percent cut in years six and seven, a 12 percent cut in year eight, a 17 percent cut in year nine, and a 20 percent cut in year ten. Tariff elimination under the nonlinear twelve-year staging category will proceed with 25 percent cuts in years nine through twelve. Tariff elimination under the nonlinear fifteen-year staging category will proceed with 20 percent cuts in years eleven through fifteen.

For chemicals, 46.7 percent of U.S. exports by value will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 33.3 percent of exports will be eliminated over three years, and tariffs on 4.1 percent will be eliminated over five years. Duties on the remaining 15.9 percent of U.S. chemicals will be eliminated in linear cuts over ten years. Tariffs on high-trade U.S. products such as articles of plastic, polycarbonates, and cellulose acetate will be eliminated within three years of implementation of the Agreement.

For U.S. imports, 40.1 percent of U.S. imports from Korea will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 3.5 percent of imports will be eliminated over three years, and tariffs on 30.8 percent will be eliminated over five years. Duties on the remaining 25.6 percent of U.S. imports in chemicals will be eliminated in linear cuts over ten years.

*Pharmaceuticals.* Korea will eliminate tariffs on 48.2 percent of U.S. pharmaceuticals exports immediately upon implementation of the Agreement, and duties on the remaining 51.8 percent of exports will be eliminated over three years.

*Cosmetics.* Korea will eliminate tariffs on 3.2 percent of U.S. cosmetics exports immediately upon implementation of the Agreement. Tariffs on 47.4 percent of exports will be eliminated over three

years and 2.8 percent over five years. Duties on the remaining 46.6 percent of exports will be eliminated over ten years.

*Fertilizer & Agro-Chemicals.* Korea will eliminate tariffs on 73.4 percent of U.S. fertilizer and agro-chemicals exports immediately upon implementation of the Agreement. Tariffs on 25.8 percent of exports will be eliminated over three years and duties on the remaining 0.8 percent of exports will be eliminated over five years.

*Plastics.* Korea will eliminate tariffs on 46.9 percent of U.S. plastics exports immediately upon implementation of the Agreement. Tariffs on 36.2 percent of exports will be eliminated over three years and 9.7 percent over five years. Duties on the remaining 7.2 percent of exports will be eliminated over ten years.

*Rubber.* Korea will eliminate tariffs on 70.6 percent of U.S. rubber exports immediately upon implementation of the Agreement. Tariffs on 4.7 percent of exports will be eliminated over three years and 1.6 percent over five years. Duties on the remaining 23.1 percent of exports will be eliminated over ten years.